

BEAR LAKE - PLEASANTON
AREA
UTILITIES AUTHORITY
BEAR LAKE, MICHIGAN

Audit Report

For Year Ended
March 31, 2006

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BEAR LAKE - PLEASANTON AREA UTILITIES AUTHORITY
TABLE OF CONTENTS

Page

1	<u>Introductory Section</u>
2	Report on Compliance and On Internal Control
3	<u>Financial Section</u>
4	Independent Auditor's Report
5	Management's Discussion and Analysis
6	Statement of Net Assets - Balance Sheet
7	Statement of Activities and Statement of Revenue Expenditures And Changes in Fund Balance
8	Statement of Cash Flows
9-11	Footnotes

INTRODUCTORY SECTION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Bear Lake - Pleasanton Area
Utilities Authority
Bear Lake, MI

We have audited the financial statements of Bear Lake - Pleasanton Area Utilities Authority as of and for the year ended March 31, 2006 and have issued our report thereon dated January 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bear Lake - Pleasanton Area Utilities Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bear Lake - Pleasanton Area Utilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, others within the organization, the Utilities Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Ward CPA Firm

Interlochen, MI
January 2, 2008

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board
Bear Lake - Pleasanton Area
Utilities Authority
Bear Lake, Michigan

We have audited the accompanying statement of net assets, activities and statement of cash flow of Bear Lake - Pleasanton Area Utilities Authority as of and for the year March 31, 2006, which collectively comprise Bear Lake - Pleasanton Area Utilities Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bear Lake - Pleasanton Area Utilities Authority management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective of the governmental activities of Bear Lake - Pleasanton Area Utilities Authority, as of March 31, 2006, and the respective changes in financial position where applicable, thereof and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 2, 2008 on our consideration of Bear Lake - Pleasanton Area Utilities Authority internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Interlochen, MI
January 2, 2008

BEAR LAKE - PLEASANTON AREA UTILITIES AUTHORITY

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authorities' finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements.

The Authority as a Whole:

The Authority was formed on July 2, 2002 but did not begin financial operations until the 2003 and 2004 fiscal year.

This year was the third year for the implementation of GASB 34 with the resulting changes in the financial position as reflected on the Balance Sheet and Statement of Net Assets.

The Authority's Funds

The financial statements provide detail information. The Authority Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. There was no significant activity during the year with the only expenditures for legal and professional services.

General Fund Budgetary Highlights:

Over the course of the year the Authority Board was able to maintain the Authority departments within their prescribed budgets

General Overview of the Authority in the 2005-2006 Fiscal Year:

On November 12, 2003 the Village of Bear Lake, who was originally part of the initial formation of the Utility Authority, officially withdrew from the authority leaving only Bear Lake Township and Pleasanton Township as members. As of the end of the fiscal year, March 31, 2006, the utilities authority was placed in an inactive status.

Contacting the Authority's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (231) 864-3492.

**BEAR LAKE - PLEASANTON AREA
UTILITIES AUTHORITY
STATEMENT OF NET ASSETS - BALANCE SHEET
AS OF MARCH 31, 2006**

ASSETS

Cash	\$38
Accounts Receivable	<u>0</u>
Total Assets	<u><u>38</u></u>

LIABILITIES & EQUITY/NET ASSETS

Due to other Governments	<u>0</u>
Total Liabilities	<u>0</u>
Equity/Net Assets	<u>38</u>
Total Liabilities & Equity/Net Assets	<u><u>\$38</u></u>

**BEAR LAKE - PLEASANTON AREA
UTILITIES AUTHORITY**
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUE
EXPENDITURES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2006

REVENUE

Contributions from area	\$12,659
Interest	<u>2</u>
Total Revenue	<u>12,661</u>

EXPENDITURES

Professional Services	4,946
Legal	8,336
Misc	<u>117</u>
Total Expenditures	<u>13,399</u>

EXCESS REVENUE OVER EXPENDITURES	(738)
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BEGINNING FUND BALANCE/RETAINED EARNINGS	776
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ENDING FUND BALANCE/RETAINED EARNINGS	<u><u>\$38</u></u>
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BEAR LAKE - PLEASANTON AREA
UTILITIES AUTHORITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2006

Cash Flow From Operating Activities	
Operating Income	(\$738)
 Changes in Assets and Liabilities	
(Increase)Decrease in Accounts Receivable	1,791
Increase(Decrease) in Accounts Payable	<u>(1,050)</u>
	741
 Net Cash Provided by Operating Activities	<u>3</u>
 Cash at Beginning of Year	35
Cash at End of Year	<u><u>\$38</u></u>

BEAR LAKE - PLEASANTON AREA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bear Lake - Pleasanton Area Utilities Authority is organized to construct, maintain and manage a sewage disposal system and water supply system for Bear Lake Township and the Pleasanton Township. As required by Governmental Accounting Standards, all other entities were reviewed to insure which should be included in this report. GASB Statement #1 requires that if certain oversight responsibility occurs, that subordinate entity activity should be noted in this report. Oversight responsibility is evidenced by:

- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Budgetary authority
- Responsibility to fund deficits or receive surplus funds
- Fiscal management
- Providing significant subsidies

Based on the above criteria, no other organization should be included in this report.

Basis of Presentation

The financial activities of the Authority are recorded as an Enterprise (Proprietary) Fund. This fund reports operations that provide services which are financed primarily by user charges and where periodic measurement of net income is appropriate for capital maintenance and management control. This year, the Authority came under the requirements of GASB 34.

Basis of Accounting

The financial statements reflect the full accrual basis of accounting with revenue recorded when earned and expenditures recorded as the liability is incurred.

Inventories

It is the Authority's policy to take a physical inventory of major items every year. A physical inventory was not taken this year with adjustments to value from the physical inventory based on a first in, first out basis at cost because there were no changes to major items in inventory.

Depreciation

The depreciation expense for the year was \$0 and is calculated on a straight line basis based on the life of the assets. Lives vary from 5 to 40 years. Depreciation is commenced in the year following acquisition. Currently no assets are owned by the authority.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS

Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
- i) Investment pools organized under the the surplus funds investment pool act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121. In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

Deposits

At the year end investments and deposits were as follows:

	<u>Balance Per Bank</u>	<u>Carrying Value</u>
CASH		
Insured	\$ 38	\$ 38
Total Deposits	\$ 38	\$ 38

NOTE C - ACCOUNTS RECEIVABLE

There were no accounts receivable due to the Authority from third parties and the participating agencies at year end.

NOTE D - PROPERTY, PLANT AND EQUIPMENT

There are no assets as of yet.

NOTE E - LONG TERM DEBT

There is no Long Term Debt as of yet.

NOTE F - RELATED PARTIES

The Bear Lake - Pleasanton Area Utilities Authority was created by the Bear Lake Township and Pleasanton Township to provide sewer services for the two municipalities. The two units will bill and collect charges to the public for private use of the system. The Authority in turn will bill the municipalities for use and debt service fees. The two municipalities are ultimately responsible for the operation and debt of the Authority.

NOTE G - USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE H - EXPENDITURES IN EXCESS OF APPROPRIATIONS

Public Act 621 of 1978, requires that a municipality shall not incur expenditures in excess of the monies appropriated. There are no expenditures in excess of their respective budget.

NOTE I- RISK MANAGEMENT

All liabilities and property are insured through the Michigan Municipal Liability and Property Pool.

NOTE J - COMPENSATED ABSENCES

There are no compensated absences or post retirement benefits.